

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 01312 260321Z

ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-06 CEA-01 INT-05 /087 W
-----018584 261549Z /46

R 260243Z JAN 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 814

LIMITED OFFICIAL USE MANILA 1312

E.O. 11652: N/A

TAGS: ECON, RP

SUBJECT: ECONOMIC DEVELOPMENTS IN 1977

1. SUMMARY. ADVANCE GOP ESTIMATES PUT PHILIPPINE GNP GROWTH FOR 1977 AT 6.1 PERCENT, BUT INDEPENDENT ESTIMATES ARE NOT AS UPBEAT. CONTINUATION OF MODEST GROWTH IS LIKELY DURING 1978. A LOW IMPORT GROWTH HELPED REDUCE THE TRADE DEFICIT, WHICH WAS MORE THAN OFFSET BY INCREASED NON-MERCHANDISE TRADE SURPLUS AND CAPITAL INFLOWS, LEADING TO THE FIRST FOREIGN TRANSACTIONS SURPLUS SINCE 1974 - \$170 MILLION. IN VIES OF CLOUDED PROSPECTS FOR EXPORTS, THE BALANCE OF TRADE WILL PROBABLY CONTINUE IN SUBSTANTIAL DEFICIT. END SUMMARY.

2. ADVANCE ESTIMATES BY THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) INDICATE THAT THE PHILIPPINE GNP GREW IN REAL TERMS BY 6.1 PERCENT IN 1977, DOWN SOMEWHAT FROM 6.7 PERCENT (REVISED FROM EARLIER ESTIMATE OF 6.3) IN 1976. LEADING SECTORS FOR THE YEAR WERE MINING AND MANUFACTURING. THE DECLINE WAS THE RESULT PRIMARILY OF SIGNIFICANT PRODUCTION DECLINES IN SUGAR, COCONUT AND LOGS, AND THE SLACK IN CONSTRUCTION ACTIVITY. THE CENTER FOR RESEARCH AND COMMUNICATIONS (CRC) ESTIMATES THE REAL GROWTH RATE IN THE 4 TO 5 PERCENT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 01312 260321Z

RANGE, BUT CRC ESTIMATES HAVE CONSISTENTLY BEEN BELOW OFFICIAL FIGURES.

3. THE CENTRAL BANK (CB) ESTIMATES THE INFLATION RATE AT 8 PERCENT (BASED ON MANILA CONSUMER PRICES), SLIGHTLY ABOVE TARGET.

4. EMBASSY ESTIMATES BASED ON JANUARY-OCTOBER TRADE FIGURES SUGGEST A 17.6 PERCENT INCREASE IN EXPORT VALUE, TO \$3,028 MILLION, AND A MINIMAL 6.4 PERCENT INCREASE IN IMPORTS (TO \$3,865.9 MILLION), REDUCING THE TRADE DEFICIT TO \$838.2 MILLION, FROM \$1,059.8 MILLION IN 1976. THE LOW IMPORT GROWTH WAS ACCOMPANIED BY SLUGGISH DOMESTIC INVESTMENT ACTIVITY. THE CB REPORTED AN OVERALL FOREIGN TRANSACTIONS SURPLUS, AFTER

CAPITAL FLOWS (INCLUDING BORROWING), OF \$170 MILLION IN 1977. THIS WAS THE FIRST SURPLUS IN 3 YEARS, AND COMPARES WITH A DEFICIT LAST YEAR OF \$160 MILLION. THE DOUBLING OF THE NET NON-MERCHANDISE TRADE SURPLUS AND SLIGHT INCREASES IN NET TRANSFERS AND NET INFLOWS OF SHORT-TERM CAPITAL CONTRIBUTED TO THIS UPTURN IN THE PHILIPPINE EXTERNAL TRANSACTIONS BALANCE. THE SURPLUS RESULTED IN A SLIGHT INCREASE IN THE GROSS FOREIGN EXCHANGE HOLDINGS OF THE CB, NO \$1,525 MILLION AS OF YEAR-END, AND SUPPORTED THE CB'S HEAVY NET REPAYMENT (\$423 MILLION) OF ITS COMPENSATORY BORROWING OBLIGATIONS. EXTERNAL DEBT INCREASED FROM \$5,517 MILLION AT THE END OF 1976 TO \$6,466 MILLION. THE VALUE OF THE PESO AGAINST THE DOLLAR IMPROVED DURING THE YEAR, AVERAGING 7.40 PESOS TO THE U.S. DOLLAR, COMPARED TO 7.44 PESOS IN 1976.

5. FOREIGN INVESTMENT INFLOW FOR 1977 IS ESTIMATED TO HAVE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 01312 260321Z

INCREASED BY 20-30 PERCENT OVER 1976 LEVELS, TO \$170-180 MILLION, BASED ON 3-QUARTER CB FIGURES. US INVESTORS RETAINED THEIR TOP POSITION WITH A 57 PERCENT SHARE OF THE TOTAL CB-MONITORED FOREIGN INVESTMENTS (FOR THE FIRST 3 QUARTERS) WHILE HONG KONG AND JAPAN HAD 10 PERCENT AND 9 PERCENT, RESPECTIVELY.

6. COMMENT: GNP GROWTH IN THE SIX PERCENT RANGE, THOUGH BELOW TARGET, WOULD BE RATHER GOOD IN VIEW OF UNFAVORABLE INTERNATIONAL CONDITIONS. EXPECTATIONS IN THE PRIVATE SECTOR SEEM TO POINT TOWARD CONTINUED MODEST GROWTH, SOMEWHAT BELOW THE SEVEN PERCENT TARGET.

7. FOR 1978, IN VIEW OF CONTINUED UNFAVORABLE PROSPECTS FOR TRADITIONAL EXPORTS, THE BRUNT OF EXPORT GROWTH WILL HAVE TO BE CARRIED BY NON-TRADITIONAL PRODUCTS. COPPER PRICES ARE NOT LIKELY TO RECOVER STRONGLY DUE TO WORLDWIDE OVER-PRODUCTION AND THE SLOW RECOVERY IN INDUSTRIALIZED NATIONS. ONLY MODEST IMPROVEMENT IS EXPECTED FOR THE VERY LOW WORLD SUGAR PRICES, BECAUSE OF LARGE INVENTORIES IN THE MAJOR SUGAR-CONSUMING AND PRODUCING COUNTRIES, AND RECEIPTS MAY REMAIN STAGNANT BECAUSE OF DECREASED EXPORTS UNDER THE NEW

ISA. OBSERVERS FORECAST INCREASED IMPORTS OF PRODUCER GOODS
AND EQUIPMENT TO SUSTAIN A MODERATE GROWTH PERFORMANCE, AND
THIS OF COURSE WILL CREATE EVEN GREATER PRESSURE
FOR INCREASED EXPORTS. THUS, WHILE THE BOP FARED BETTER
IN 1977 THAN EXPECTED, THE TRADE BALANCE IN 1978 IS LIKELY
TO CONTINUE TO SUBSTANTIAL DEFICIT. END COMMENT.
NEWSOM

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA01312
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780039-0075
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780120/aaaaaqlg.tel
Line Count: 123
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3f4209e0-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3710706
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS IN 1977
TAGS: ECON, RP
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/3f4209e0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014